

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF HAWAII

-----In the Matter of----- ) DOCKET NO. 2008-0273  
 )  
PUBLIC UTILITIES COMMISSION )  
 )  
Instituting a Proceeding to )  
Investigate the Implementation of )  
Feed-in Tariffs. )  
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THE DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT, AND TOURISM'S  
RESPONSES TO INFORMATION REQUESTS FROM THE SOLAR ALLIANCE, FROM  
TAWHIRI POWER LLC, AND FROM HAWAII RENEWABLE ENERGY ALLIANCE

AND

CERTIFICATE OF SERVICE

PUBLIC UTILITIES  
COMMISSION

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RESPONSES TO INFORMATION REQUESTS FROM THE SOLAR ALLIANCE, FROM  
TAWHIRI POWER LLC, AND FROM HAWAII RENEWABLE ENERGY ALLIANCE**

The Department of Business, Economic Development, and Tourism ("Department" or "DBEDT"), by and through its Director ("Director") in his capacity as the Energy Resources Coordinator, and through the undersigned Deputy Attorney General, hereby submits to the Hawaii Public Utilities Commission ("Commission" or "PUC") its responses to the information requests (IRs) from The Solar Alliance, from Tawhiri Power LLC, and from Hawaii Renewable Energy Alliance (HREA) relating to DBEDT's Opening Statement of Position (OSOP) in the instant docket filed on March 4, 2009.

As requested by both The Solar Alliance and Tawhiri Power LLC, the person providing and sponsoring DBEDT's responses to the IRs is Estrella A. Seese, DBEDT-State Energy Office.

**DBEDT Responses to Information Requests from the Solar Alliance:**

SA-IR-8-DBEDT: Ref. DBEDT SOP at 11

Please explain what size cap on the total installed capacity are you proposing to install on PV solar and why?

DBEDT Response:

The PUC Order initiating the instant docket cited the Energy Agreement entered into between the State and the HECO Companies. The Agreement includes the HECO companies' commitments as to the amounts of renewable generation resources that they will pursue and integrate in the system including the amounts that they commit to purchase through the FiTs.

DBEDT therefore suggests that the amounts of PV resources that are included in the HECO commitments provided in Exhibit A of the Energy Agreement be used as caps for the PV resources in the initial FiTs design. These amounts are summarized as follows:

YEAR	HECO (MW)	HELCO (MW)	MECO (MW)
2010	6.5	1.8	1.8
2015	16.5	6.0	6.0
2020	42.0	10.2	10.2
2025	43.0	12.0	12.0
2030	32.0	9.0	9.0

Note: The amounts provided in Exhibit A of the Energy Agreement are on a cumulative basis. The amounts provided in the above summary Table are the incremental amounts between the years.



These initial caps may be periodically reviewed and adjusted as deemed appropriate by the Commission, in consideration of such factors as load growth, achievement of the renewable portfolio standards, grid stability, and other similar factors.

SA-IR-9-DBEDT: Ref: DBEDT SOP at 14.

Please explain what data requirement and periodic reporting requirements you are proposing? What would be the time frame on your proposed periodic reporting requirements?

DBEDT Response:

As stated in the referenced page of DBEDT's OSOP, the best design FiTs must specify the data requirement from the renewable project developer, including without limitation the actual project cost and periodic reporting requirements (such as but not limited to the project's actual operation and maintenance costs) that can be used to refine the FiTs rates in the future. The actual project cost should include without limitation (1) the design, permitting, and construction costs including labor and materials costs; (2) financing or capital cost; (3) land cost or actual cost of site acquisition; (4) interconnection and metering costs incurred by the project developer; and (5) other project costs incurred in developing and constructing the project.

The project operation and maintenance costs, as well as operational data which should be reported at least on an annual

basis during the contract term, should include without limitation (1) the actual labor and non-labor costs of operating and maintaining the system; (2) the actual fuel costs, if any; (3) taxes; (4) interest payments; (5) monthly land rents or leases; (6) other costs related to the operation and maintenance of the project; (7) monthly kilowatt-hours produced; (8) monthly maximum kilowatt capacity; (9) average capacity factor; (10) monthly minimum kilowatt capacity; (11) monthly number of hours when the project is down or not producing energy; and (12) other operational information.

**DBEDT Response to Information Requests from Tawhiri Power LLC:**

TPL-IR-8-DBEDT: Ref.: DBEDT SOP at 14.

Please explain the "rules on curtailment" that you are proposing? Would your rules include existing renewable Independent Power Producers ("IPPs")?

DBEDT Response:

DBEDT believes that best design FiTs should encourage the utility to maximize its purchase of energy from renewable generation, or optimize the renewable producer's supply curve, while at the same time taking into consideration the system load requirements and the system's operating capability. The rules on curtailment suggested by DBEDT to be considered in the design of FiTs relate to the specific system conditions when the utility may find it necessary to curtail power supplied by the

renewable generation, such as the minimum load condition. The FiTs standard contract form should specify the conditions that would require and trigger supply curtailment if any, including the amount of curtailment, the number of times per year when such curtailment may be needed, the notice provision for curtailment, and the compensation rate, if any.

**DBEDT Responses to Information Requests from HREA:**

HREA-DBEDT-OSOP-IR-1. Regarding the following statement on page 4:

"More importantly, the current bid process only applies to renewable resources of a capacity of 5 MW (2.72 MW for MECO and HELCO), and there are no clear procurement rules required under the utility's current competitive bidding framework for smaller renewable generators below this threshold size."

- a. HREA's understanding is that projects under the threshold size are "exempt" from the competitive bidding framework. As such, developers are entitled to negotiate power purchase agreements ("PPAs") under our PURPA law. Is DBEDT saying that the PURPA-related procurement rules are not clear, and, if so, why?
- b. However, HREA understands DBEDT's [sic] supports FiTs as a better alternative to PURPA for the projects under the threshold size. Besides the reasons stated in DBEDT's OSOP, does DBEDT believe there is also a legal rationale, e.g., under PURPA the utility was not required to sign a PPA, only to enter into negotiations, while the utility would be required to sign a FiT? Please explain.
- c. Given DBEDT's concerns about the efficacy of the competitive bidding process and the increasing sense of urgency to meet HCEI goals, would DBEDT support a recommendation to the Commission for increasing the threshold size from 5 MW to 20 MW for all islands?



Please explain.

DBEDT Response:

- a. No. DBEDT is not claiming that the "PURPA-related procurement rules" are unclear. PURPA simply provides the utility's obligation to purchase from qualifying facilities and its implementation is determined by the State regulators. DBEDT's position to extend FiTs to projects smaller than the size thresholds for the competitive bidding framework is aimed at facilitating the utility purchases and helping encourage and promote this market.
- b. The basis of DBEDT's position relating to the extension of FiTs to relatively smaller renewable projects (i.e., capacity size less than the threshold size for competitive bidding) is as stated on pages 8-9 of DBEDT's OSOP. Subpart C of Part 292 at 18 CFR § 292.303 provides for the utility's obligation to purchase any energy and capacity which is made available from a qualifying facility. FiTs will eliminate the need for contract negotiations.
- c. DBEDT does not have any position on the threshold size for the competitive bidding framework. DBEDT was not a party in the PUC docket relating to the competitive

bidding framework.

HREA-DBEDT-OSOP-IR-2. Regarding the following statement on page 7:

"Generally, the 'avoided cost' is considered to be the fuel costs incurred in the operation of a traditional power plant."

- a. Would DBEDT agree that avoided costs should also include other costs, such as operations and maintenance, reduce [sic] line losses and reduced capacity requirements;
- b. Does DBEDT envision "avoided costs" as a market referent for FiTs; and
- c. If so, does DBEDT support a process to take a "fresh" look at avoided costs and how the utility calculates them, including capacity payments for as-available resources? If not, why not?

DBEDT Response:

- a. Please refer to Chapter 6-74-1, Hawaii Administrative Rules for the definition of "avoided cost" and what it includes, as adopted by the PUC.
- b. DBEDT believes that FiTs should be based on the developer's cost plus some reasonable profit.
- c. Please see DBEDT's response to HREA-OSOP-IR-2b above.

HREA-DBEDT-OSOP-IR-3. Regarding the discussion of net energy metering on pages 7 and 8, HREA would like to note that the first net energy metering law, which was not "true net metering," was passed in 1996. That said:

- a. Would DBEDT agree that net metering, which is a power exchange agreement, is a demand-reduction measure,



delivered to the utility. So, DBEDT's proposal for sale of "excess kilowatt-hours that remain unused" is something else. Does DBEDT:

- i. Seek to combine the features of net metering with a FIT,
- ii. If so, how would that be done, as HREA believes the utility would have to determine the amount of net metered electricity and the net amount delivered to the utility, and
- iii. Are smart meters smart enough to collect the necessary data, e.g., customer-generator total output, total site load, and total electricity supplied to the customer by the utility?

DBEDT Response:

- a. Net energy metering reduces the customer's demand on the utility system (i.e., it reduces the amount of energy supplied by the utility to the customer.) Net energy metering does not necessarily reduce the customer's total demand or total load.
- b. §269-108, Hawaii Revised Statutes (HRS), provides that "The eligible customer-generator shall not be owed any compensation for excess kilowatt-hours unless the electric utility enters into a purchase agreement with the eligible customer-generator for those excess kilowatt-hours." The referenced statement in DBEDT's OSOP simply recommends using FiTs as a mechanism or a vehicle through which the utility may compensate the customer-generator for the excess kilowatt-hours.

- i. Please see DBEDT's response to HREA-DBEDT-OSOP-IR-3b above.
- ii. The determination of the excess kilowatt-hours that remain unused will be as provided in §§269-105 and 106, Hawaii Revised Statutes. See also DBEDT's response to HREA-DBEDT-OSOP-IR3.b.iii below.
- iii. Per information received from HECO, the advanced metering that the HECO companies are proposing in Docket No. 2008-0303 has the capability of metering the total energy received, total energy delivered, as well as the net energy.

HREA-DBEDT-OSOP-IR-4. Regarding the discussion of project sizes and CAPs on total FiT project capacity per island:

- a. Does DBEDT believe on [sic] output of the Clean Energy Scenario Planning activity would be an assessment of the initial level of penetration that could be absorbed by FiTs on each island, and what modifications and enhancements are required to allow higher levels of FiTs, i.e., a plan; and
- b. While the plan is being developed along with the implementation of FiTs, does DBEDT see any reason to CAP the FiTs? If so, why?

DBEDT Response:

- a. DBEDT does not have any information on the framework, objectives, or planned results or outputs of the Clean

Energy Scenario Planning (CESP) agreed to by the Parties to the Energy Agreement. The PUC has not opened a docket to investigate and/or address the CESP framework, process, or procedure.

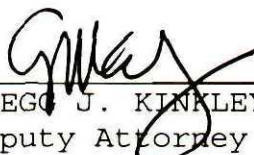
- b. Please see pages 10-11 of DBEDT's OSOP and DBEDT's response to the Solar Alliance information requests to DBEDT, SA-IR-8-DBEDT.

HREA-DBEDT-OSOP-IR-5. Regarding the "treatment of renewable energy credits" on page 14, does DBEDT support providing the initial right to the renewable energy credits be granted to the developer of the project? If not, why not?

DBEDT Response:

DBEDT's position is that the renewable energy purchased by the utility through FiTs shall count toward the utility's renewable portfolio standards, as agreed to by the Parties to the Energy Agreement.

DATED: Honolulu, Hawaii, March 13, 2009.

  
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Certificate of Service

I hereby certify that I have served a copy of the response to the information requests from The Solar Alliance, from Tawhiri Power LLC, and from HREA relating to DBEDT's Opening Statement of Position in the instant docket that was filed on March 4, 2009, by electronic transmission on the date of signature to each of the parties listed below.

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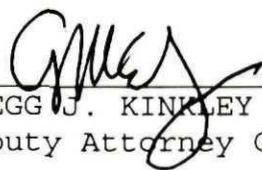


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